FISCAL NOTE TRAINING MANUAL
Office of Budget and Program Planning

Fiscal Note Training Manual

Overview of the Process

What is a Fiscal Note?
According to 5-4-201, MCA, fiscal notes are required on all bills reported out of committee having an effect on the revenues, expenditures, or fiscal liability of the state or of a county or municipality, except appropriation measures carrying specific dollar amounts. Statutory provisions regarding fiscal notes may be found in 5-4-201 through 5-4-210, MCA.

What is the total processing time of a Fiscal Note?
Fiscal notes follow a statutory six-day processing time period and 24-hour period for sponsor review. The process consists of:

DAY 1   The presiding officer of either house sends a fiscal note request to OBPP.

DAY 1-2   OBPP determines affected agencies and notifies the agencies of the request.

DAYS 2-4   Agencies draft a fiscal note and returned it to OBPP (Save in the Guest Directory\Session*agency* folder and send a message to Jeanne Nevins (jnevins@mt.gov) or email as an attachment to Jeanne.)

DAYS 4-5   The appropriate analyst reviews, edits the fiscal note.

DAY 6   Budget Director completes final review, signs, and transmits it to the originating house.

The bill sponsor has 24 hours to review the fiscal note and sign.

The printed note, complete with the necessary signatures, provides the official version of the fiscal impact of the version of the bill on which it was prepared.

OBPP has committed to have prepared fiscal notes available to the Legislature on the first day of session for those bills where the fiscal note request was received at least six working days prior to the beginning of session. This may mean a little more work in December, but less in January. **Please return any fiscal notes requested prior to December 23 to OBPP within five working days of receipt.**

What if the sponsor disagrees with the fiscal note?
If the sponsor disagrees with the fiscal note they have three options:
1. Disagree, not sign the note, and it will be printed and distributed without the sponsor's signature,
2. Meet with OBPP and the agency to discuss the fiscal note and determine if any revisions are necessary,
3. Prepare and submit a sponsor's fiscal note, to be completed within four days. It will be printed and distributed with the official fiscal note.

If the sponsor requests additional time to consult with the Budget Director, the presiding officer notifies the sponsor and the Budget Director of the additional allotted time, not to extend beyond 24 hours.

Who requests fiscal notes?
The President of the Senate or the Speaker of the House officially request fiscal notes to the Budget Office.

Who determines the need for a fiscal note?

The Legislative Services Division (LSD), the standing committee, the sponsor, or a majority of the members of the house in which a bill is to be considered, may request, through the presiding officer, that a fiscal note be prepared. Keep in mind that the standing committee considering a bill will hold the bill until the fiscal note is complete. An agency may also advise OBPP that a fiscal note is needed.

Preparing Fiscal Notes

1. Agencies are notified of the Fiscal Note Request

OBPP will request an agency to prepare a fiscal note by e-mailing the primary contacts of the agencies fiscally impacted by the bill. A return e-mail from the agency is required for confirmation. If the request is received after 5 PM or on Saturday, contacts will be e-mailed or left a voice mail on their office phones. If a fiscal note request is received at 5 PM, it still counts as the first legislative day. If a fiscal note is requested to more than one agency for response, all agencies must submit a draft note to reflect the anticipated effects on the agency.

The Department of Revenue will be assigned most estimates of proposed taxation legislation. The agency affected by the expenditure will prepare expenditure estimates, and the agency most knowledgeable of revenue will prepare the revenue estimates. The budget office prepares a single fiscal note on the basis of the estimates provided.

2. Read the Bill

The most important step in developing a fiscal note is having a clear understanding of the bill. The bill should be thoroughly understood before beginning a fiscal note. Read, reread, and discuss the bill until the changes from current law are clear. Equipped with this knowledge, and possibly some notes, drafting can begin. Electronic copies of bills will be available on the Internet using the LAWS system. Make sure the version of the bill you use is the same as the version for which the fiscal note is requested.

3. Access the Fiscal Note Template

Access the fiscal note template at (Govhlnadm/Guest/Session/Template/General Fiscal Note). Also located on Guest are: the Local Gov Fiscal Impact, 5 Yr Fiscal Note, No Impact Fiscal Note, Pension Fund Fiscal Note, and Dedicated Revenue Template 2011. ***Because the fiscal note template contains macros, make sure the macro security on your computer is set at medium or low.*** This can be done by going to (tools/macro/security) while in an Excel document. Also, make sure that the file location is set to the Guest Directory. This can be done by going to (tools/options/file locations). Directions for accessing these directories can be obtained by contacting the OBPP fiscal note coordinator. If you have problems connecting to the Guest Directory contact OBPP's Network Administrator at x4915.

When you access the template:
  - ➢ double click the template you want
  - ➢ right click in the "Select a bill" area, select Worksheet Object, select Edit
  - ➢ select a bill from the dropdown box and the Title and Primary Sponsor will prefill,

➢ select the status from the dropdown box,
➢ click on the fiscal note, outside of the object box to move to the next section

The Fiscal Summary and Fiscal Impact sections work similarly. These embedded spreadsheets are all protected to prevent accidental deletion or entry in the wrong space. You can unprotect the spreadsheet to add lines while you are in the spreadsheet by clicking Tools/Protection/Unprotect Sheet. After you have altered your spreadsheet you should turn the protection on again by clicking Tools/Protection/Protect Sheet.

The status or version will typically be "As Introduced", but revised/amended notes will reflect other versions selected from the dropdown list. Select any of the six check boxes that are applicable indicating: significant local government impacts, technical concerns, long-term impacts, dedicated revenue, if the fiscal impacts have been included in the executive budget, or if the bill needs an appropriation in HB 2 in order to implement the bill.

A separate template will be used for bills impacting the state's pension systems. This template contains features that are specific to pension/retirement system legislation and not to other types of bills. The template is located on the Guest Directory and should use the same naming conventions listed below.

4. Fiscal note naming convention
All draft fiscal notes sent to OBPP should be named using the following convention:
>> Senate Bills – Sxxxxaaaa.vv
>> House Bills – Hxxxxaaaa.vv

Where "xxxx" is the bill number, "aaaa" is the agency number, and vv is the version of the bill. This version number is printed on the bill as an extension to the bill number in the lower left corner of the bill. When completing the dedicated revenue attachment, add a – dr after the "aaaa". **Sample: H00163101.01 would be a fiscal note for HB 16 from agency 3101 version 01.**

5. Contents of a Fiscal Note
Fiscal Summary – The fiscal summary combines the expenditures and revenues by source and states the net impact on the general fund,

Description of Fiscal Impact –
✓ Describe in two or three sentences the primary factors that generate the fiscal impact. If the bill has no fiscal impact use the "No Impact Fiscal Note" form instead of the "General Fiscal Note" form.

Assumptions –
✓ Assumptions are not facts of the bill unrelated to the costs or other non-fiscal information.

✓ Use the Executive Budget to begin adjustments.

✓ Separate each assumption and calculate the fiscal impact.

✓ Use one idea for each assumption in short, straightforward, and concise sentences.

✓ Structure assumptions to follow steps used to prepare estimates.

- ✓ Document the source of as many assumptions as possible.

- ✓ If a bill imposes a new requirement – cite the workload measures that will be used to determine expenditure estimate.

Statutory Appropriations –
A fiscal note will be prepared for any legislation that proposes to create or amend a statutory appropriation. Review of such legislation is to be consistent with the guidelines in 17-1-508, MCA, and findings concerning the statutory appropriation must be contained in the fiscal note accompanying that legislation. ****NEW**** - There is a template in the Guest Directory\Session\Template folder that must be completed and added to any fiscal note creating or amending statutory appropriations. Please copy and paste the information into the fiscal note template at the end of the Assumptions.

Fiscal Impact –
- ✓ The fiscal impact of proposed legislation will be shown for four fiscal years. While projections that far out can be difficult, use professional judgment and all available sources of data and statistics to estimate the impacts.

- ✓ Positions should be budgeted at entry for the Pay Plan 20 job code. Entry for Pay Plan 20 is considered 80% of the market rate. These rates can be found via the MINE page by clicking on the Personnel/Resources for HR Officers/Compensation Reference links. There are 2088 hours in FY 2009, FY 2010, FY 2011, FY 2012, and 2080 hours in FY 2013.

- ✓ When calculating the new employee office package (desk, chair, file cabinet, side chair and bookcase) use $1,200.

- ✓ When calculating new computer equipment (ITSD's current recommended hardware and software with no printer) use $1,400 ($2,200 for laptops). Reference Executive Budget Instructions and fixed cost schedules as necessary for other cost factors as applicable.

- ✓ Expenditure detail should be presented at first level and properly funded by program. The agency program need only be identified specifically if there are multiple programs within an agency that are affected. Revenues should be presented by revenue source and provide fund detail.

- ✓ The net effect of the revenue and expenditure changes should be noted in the summary.

- ✓ Net impacts should be computed by subtracting expenditure impacts from revenue impacts; hence, a positive number will indicate an increase in fund balance and a negative number will indicate a decrease in fund balance.

- ✓ If the bill has no fiscal impact use the "No Impact Fiscal Note" form instead of the "General Fiscal Note" form.

Effect on Local Government Expenditures and Revenues –
Local government impact explains the fiscal impact of the bill to local governments including expenditures, revenues, or impacts to local taxpayers. Time constraints and difficulties estimating these impacts make this section less formal than the state fiscal impact section. If estimates are possible, include them. Section 1-2-112, MCA, states "A required expenditure of the equivalent of approximately 1 mill levied on taxable property of the local government unit or $10,000, whichever is less, may be considered an insubstantial amount." If the impact is substantial and the bill does not provide a specific means to finance the requirement the following statement should be included in this section of the note:

"This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA, provides that bills that have such an impact may not be introduced."

Section 1-2-112, MCA, allows a specific means of financing may be provided by: an increase in existing authorized mill levies, all-purpose mill levy or special mill levy, or payment of state money.

Long-term Impacts –
This section must be completed when fiscal impact is markedly different in future biennia than current (e.g., phased-in revenues or expenditures, sunsetting). The long-term financial implications should attempt to estimate the fiscal impact for a period of five fiscal years after the effective date of the proposed measure. Estimates should be made in terms of dollars per fiscal year. If a dollar estimate cannot be provided make a statement stating why. If the proposed legislation could have significant long-term effects that might not be ordinarily anticipated, these should be mentioned in the fiscal note and quantified. This section may reiterate projections made in the additional two fiscal years shown in the fiscal impacts section or discuss impacts that may occur beyond the two biennium period already shown.

Technical Notes –
The technical note section provides an opportunity to point out technical defects in the bill. Generally items included in this section should be limited to bill drafting errors such as internal reference conflicts, conflicts with unamended statutes or other proposed legislation, undefined terms, problems with implementation, etc. If a bill is vague in its intent and the resulting lack of clarity makes it difficult or impossible to prepare a fiscal note, the budget office should be contacted for clarification or possible options should be written in the technical notes.

Sponsor and Budget Director Signatures –
These components are at the end of the fiscal note form.

Fiscal Note Prepared By –
Please indicate the name of the person who prepared the fiscal note and who should be contacted (including phone number) if OBPP staff have any questions regarding the fiscal note content.

Dedication of State Revenue –
A fiscal note for any bill that proposes to dedicate revenue or create a new state special revenue account must contain an analysis of the proposed account. A series of questions

contained in law must be answered to complete this requirement. These questions can be accessed on the Guest Directory in the "Dedicated Revenue Template 2011" form, and must be attached as the last part of the fiscal note.

Key Ingredients of a Good Fiscal Note

✓ State only the facts. Do not lobby in a fiscal note.

✓ Don't make corrections to the bill – note those issues under the Technical Notes section.

✓ Write the fiscal note on the version of the bill for which the note was requested, not on the sponsor's concept of an amendment.

✓ Treat the fiscal note as confidential (OBPP will submit the official fiscal note version which could be different from agency submitted versions).

✓ A fiscal note does not provide appropriation authority or FTE authorization. The legislature must take action to increase the agency's budget in HB 2 or another appropriation bill. If no funding is added and the bill is passed, the agency will absorb the costs within its budget. Usually, amendments are coordinated through OBPP and added in the HB 2 Free Conference Committee.

✓ Save all worksheets and supporting data. This information is good for current use and for future reference on revised estimates or on similar proposals.

Fiscal Notes Style Sheet

Numbers

✓ Write out numbers if they are less than 10. If they are 10 or above, use figures. Use words for numbers that begin a sentence (Ten programs). Rewrite the sentence that begins with a large number, rather than One thousand three hundred and sixty-six dollars. Write out most ordinals (Fifty-eighth Legislature) and fractions (one-third of the staff...). Numbers in millions or higher may be expressed with numbers and words ($21 million or 14.5 million).

✓ Refer to either the 2011 biennium or FY 2010 and FY 2011. Do not spell out fiscal year; there is a space between FY and the respective year (FY 2010 actual); biennium is not capitalized.

✓ House and senate bills are written HB 2, HB 49, SB 100 or SB 315 in sentences with no periods and with a space between bill and number.

✓ Use two decimal points when writing about FTE (2.00 FTE, 1.75 FTE or 0.25 FTE). There are no periods in FTE and the plural when used is FTEs (not FTE's). All modifiers follow FTE (1.00 FTE engineer).

✓ Use decimal representation rather than fractions (0.5 rather than 1/2). When a decimal stands alone, without a whole number preceding the decimal point, insert a "0"

before the decimal point (There are 0.25 FTE or 0.08 gram). (Firearms exception: a .36 caliber revolver)

✓ Use figures to express exact or approximate amounts of money (nearly $1,000 or $12 million). Use the dollar sign with each amount in a range or series (between $25,000 and $30,000; $1 million to $2 million).

✓ Reference format for Montana Code Annotated, Montana Constitution and Administrative Rules of Montana: 44-2-115(1), MCA, (not Section XX-. Note that MCA is followed by a comma or period.) Title 75, Chapter 1, part 3, MCA. (part is lower case) Article X, Section 9, Montana Constitution or Title 18, Chapter 1, ARM.

Capitalization

✓ If you're wondering if it should be capitalized, it probably shouldn't.

✓ Legislature usually is capitalized (the Legislature) and always capitalized as part of a formal name (the 1999 Legislature, Fifty-seventh Legislature ((text)), Fifty-Seventh Legislature ((title))). Capitalize and spell out Senator John Smith, Speaker of the House, the House, the Senate, but not senator or representative by itself.

✓ Governor is always capitalized, but Schweitzer's administration policy, or the executive is not. Lieutenant Governor, Attorney General, Secretary of State, Superintendent of Public Instruction, and Public Service Commissioner are capitalized when followed by the person's name. Otherwise, do not capitalize titles. In general, do not capitalize job titles (social worker II, deputy administrator, MSU professor).

✓ The various funds and trusts are not capitalized (general fund, education trust, resource indemnity trust, coal tax trust, pay plan, school foundation program). Do not capitalize state or federal unless the word is part of a formal name (subject to federal laws; the Federal Reserve Board).

✓ Do capitalize formal organizational names (Developmental Disabilities Division, Water Quality Bureau, Water Development Program). Spell out names of agencies and programs in the first reference and follow up with the acronym in parenthesis; use the acronym thereafter (the Department of Fish, Wildlife and Parks (FWP); the Board of Investments (BOI)). Use the acronym that has common usage in agency documents rather than your own creation.

✓ Do not capitalize council, board, or department after the first formal reference. For instance: The Board of Regents...the board; the Department of Administration...the department; the Reserved Water Rights Compact Commission...the commission.

✓ Executive budget is capitalized when it is used as part of a formal name (the Governor's Executive Budget, the 2011 Biennium Executive Budget, FY 2010-FY 2011 Executive Budget), but not in general references (The executive budget recommendations include...).

Miscellaneous

✓ Try not to use the word "this" as the subject for a sentence. For instance: This caused the revenue shortfall. Rather: This tax policy caused the revenue shortfall.

✓ Do not use possessives ('s) with non-person nouns. For instance: Montana's roads; the contract's terms. Rather: Montana roads; terms of the contract. Likewise, to form the plural of figures, add s (not 's). In the 1990s; temperatures in the 90s.

✓ Do not use personal pronouns with non-person entities. For instance: The board request is to use their excess authority. Rather: The board request is to use its excess authority.

✓ **Between and Among.** Use between when referring to two persons or things and among when referring to three or more persons or agencies. Responsibility is shared *between* the Departments of Livestock and Agriculture. Responsibility for the XYZ Program is shared *among* the Departments of Livestock, Agriculture, and Fish, Wildlife and Parks.

✓ When three or more items are listed in a series and the last item is preceded by and, or, or nor, place a comma before the conjunction as well as between the other items. (The consensus is that your report is well written, that your facts are accurate, and that your conclusions are sound.) When numbers run to four or more figures, use commas to separate thousands (2,375; $11,500).

✓ **Small letter abbreviations** require a period after each initial but no space after each internal period, e.g., for example; i.e., that is. **Capital letter abbreviations** normally require no periods and no internal space (DPHHS, FWP, FM). Exceptions usually include geographic names (U.S.) and academic degrees (B.A., M.S.).

✓ **Who and That.** Who and that are used when referring to persons. Select who when the individual person or the individuality of a group is meant and that when a class, species, or type is meant. (The Board of Land Commissioners determined *that* the commissioner is the only one *who* can decide whether or not an EIS is required. Reclamation policy is an issue *that* the administration has studied during the interim.)

✓ **Which and That.** Which and that are used when referring to places, objects, and animals. Which is always used to introduce nonessential clauses set off with commas; that is ordinarily used to introduce essential clauses. (The department report on vacant positions, *which* was presented to the 2007 Legislature, was not used to develop the 2011 biennium budget recommendations. The pay plan report *that* was prepared by the Committee on State Employee Compensation is funded in the executive budget...)

✓ **Commas** set off a dependent clause within a sentence and a nonessential clause within a sentence. The following are always nonessential. All of which, although, even though, though, for, no matter what, no matter how, none of which, none of whom, some of whom, whereas. (The figures for FY 2009 include large cities only, whereas the data for the 2011 biennium include rural areas as well.)

✓ When independent clauses are linked by transitional expressions, use a semicolon between the clauses. Frequent transitions include: accordingly, consequently, for example, furthermore, hence, however, moreover, namely, nevertheless, on the contrary, otherwise, therefore, thus.